

RECEIVED AND FILED

Tuesday, April 18, 2007

2007 APR 20 P 2: 15

**Howard Connell**

**Lorene Connell**

1001 Jennis Silver Street

Las Vegas NV 89145

(702) 254-1501 Home

(702) 340-3184 Cell

email: [Howlor5@aol.com](mailto:Howlor5@aol.com)

U.S. BANKRUPTCY COURT  
PATRICIA GRAY, CLERK

**Lewis & Roca**

3993 Howard Hughes Parkway, Suite 600

Las Vegas NV 89169-5996

(702) 949-8320

(702) 949-8321 Facsimile

**Susan M. Freeman**

**Rob Charles**

**Attorneys for USACM Liquidating Trust**

**United States Bankruptcy Court**

Foley Federal Building

300 Las Vegas Boulevard South

Nevada 89101

**CHAPTER 11**

**Jointly Administered Under Case No. BK-S-06-10725 LBR**

To whom it may concern:

We are responding to the attached motion filed by the law firm of Lewis & Roca, on behalf of their client, USACM Liquidating Trust.

We are a named Defendant in this motion and as it may pertain to our "claim," we oppose it!

We had previously complied with the "bar date" for filing this claim and provided supporting documentation via United States Postal Service, Certified Mailing, to USACM's Pecos Road location in Las Vegas, Nevada. The fact we are "named" in this motion supports our "claim" as having been timely and properly filed, and therefore "valid" for this purpose.

*A response is deemed sufficient if it states that written documentation in support of the proof of claim has already been provided to the objecting party and that the documentation will be provided at any evidentiary hearing or trial on the matter.*

As a courtesy, we have herein included copies of identical supporting documents as submitted with our original "claim" forms.

*UDACM Liquidating Trust has requested that this Court enter an order, pursuant to section 502 of title 11 of the United States Code (the "Bankruptcy Code") and Rule 3007 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), for an order denying priority status to approximately 110 alleged Priority Claims asserting Claims against USA Commercial Mortgage Company ("USACM") that aggregate over \$17 million.*

*Specifically, the USACM Liquidating Trust argues that there is no basis in the proofs of claim or in the books and records of the Debtors that would support a priority Claim.*

While on the surface it may appear that our claim is "generic" to the other 109 alleged Priority Claims, in fact it is NOT. Also, the allegation by the moving party, that there is no basis in the proofs of claim or in the books and records of the Debtors that would support a priority Claim, is FALSE.

### **BACKGROUND**

On or about, March 24, 2006 the Connell's were solicited by, Joseph Zabo, a Sales Agent employed by USACM, offering For Sale fractional "beneficial interests" in a First Trust Deed investment known as "Fiesta USA/Stoneridge. Withstanding "fraudulent" acts committed by USACM and/or its employees and/or its agents, in luring and selling beneficial interests in this seasoned non-performing loan, the Connell's acquired a total \$37,500.00 "beneficial interest," from two different Assignors. Among other lies, this loan was advertised to be "personally guaranteed" by the principals of USACM, Joe Milanowski and Tom Hantges but NOT that it was in had long ago fallen into default for a lack of interest payments in excess of one year.

Quote:

*The USACM Trust believes that brokers were involved in many instances in the solicitation of investments into non-performing loans and/or the assignment of certain Direct Lenders into or out of investments in non-performing loans, possibly in violation of Nevada law, and that brokers may not be entitled to any commissions purportedly earned by such activities. In this Objection, however, the USACM Trust only contends that the Commission Claims are not entitled to priority status and that they should be reclassified as general unsecured Claims (albeit subject to potential further objection).*

On, April 13, 2006 USACM, et al filed for "relief" under a Chapter 11, Voluntary Bankruptcy Code. Due to the "shangins" perpetrated by USACM, the "monies" and "assignments" for our transactions, among others, eventually ended up in an "Interpleader Action," file by David Huston, Esq. on behalf of the Debtor in Possession (DIP), Mesirow Financial (aka Tom Allison), which in the Connell's case, is still unresolved.

On or about, August 26, 2006, the Connell's received in the mail, a check from the Debtor in Possession, USA Commercial Mortgage Collection Account. The check was drawn on Bank of America, #91171 in the amount of \$249.87. The check stub noted this was for "payment of interest/principal paid thru June 30, 2006." Upon review of the June 30 2006 "Loan Summary Report" it was clear that the amount stated on the check, was calculated by combining entries from both Fiesta USA/Stoneridge and our one other direct lender investment, "Brookmere/Maddeson, also in non performing status (see attached Sep.25,2006 letter to Mr. Homfeld).

To this point, monthly Loan Collection reports published by Mesirow, showed Fiesta USA/Stoneridge never paid a dime toward their debt and was in default prior to, during and after we had acquired the "beneficial interest." On our June 30, 2006 statement (see attached statement) Mesirow (DIP) gave us credit for \$138.62 from "Fiesta, added it to "Brookmere's" \$326.02 (net) for a total \$464.64. Deducting the court approved loan servicing hold back of 3% or \$214.76, we were sent a net check for \$249.87. The hold back has since been approved by the Judge Riegle to be refunded to the lenders if appropriate. Since our LSA is for 1%, on both loans, it is appropriate we be reimbursed but have not.

The amount of this check (see attached) was derived by commingling of supposable unpaid "phantom" interest paid by Fiesta Stoneridge. Because the monthly Loan Summery Reports indicate the Fiesta was in default and had not made any interest payments, to be on the safe side, we returned the check and asked that our account be put back to its prior status, which was never done. (see attached documents).

*Specifically, the USACM Liquidating Trust argues that there is no basis in the proofs of claim or in the books and records of the Debtors that would support a priority Claim.*

A review of USACM's bank statements will show USACM Trust Account check (# 91171, see attached) payable to us was never cashed by the Connell's, which makes their prior statement completely FALSE.

#### **Authority**

*The USACM Trust reserves the right to further object to any and all Claims, whether or not the subject of this Objection, for allowance and/or distribution purposes on any other grounds. The USACM Trust further reserves the right to modify, supplement and/or amend this Objection as it pertains to any Claim or claimant herein.*

As observed during the course of this bankruptcy, Bankruptcy Judges are given "broad sweeping" powers to administer bankruptcy protection to Debtors as "referees," to rule in the best interest of the "greater common good."

#### **CONCLUSION**

The Defendant(s) in this case, are not attorneys. We do not have the financial resources to hire council if we wanted to-so we do the best we can. The value of this claim is not going to "make" or "break" either party. In fact, the hourly legal fees required to litigate this claim far out distance the actual claim.

We are here today because the Defendants refused to do what they felt was **less than honorable.....accept money that they felt did not belong to them.** However, since Mesirov retained the returned check, yet did not credit our account as requested, the "debit" for the disbursement remains when there should be a "credit" or a new check issued. Also, this motion is not to determine the validity of the claim but the "priority"

As stated in the Points of Authority the Trustee reserves the right to modify, supplement and/or amend this Objection as it pertains to any Claim or claimant herein. Because the "root" of this claim stems from the investor returning allocated funds back to USACM Collection Trust Account, we feel justified in requesting the Trustee to withdraw it's "opposition" to the current status of our claim. Also, we are confident the Trustee has sufficient legal latitude to withdraw this motion.


The Defendants would argue there are no case laws or otherwise that would provide a "legal basis" for arguing against not reissuing a check, for returned funds back to the USACM Trustee.

**Factually, if the check had been cashed there would be no issue to argue, relating to this claim.**

The Defendant acknowledges and fully understands the concept of being honorable, even when others are not watching. This is precisely why the funds were returned to the maker as previously described.

The Defendant NOW asks the Trustee and the Court, together, to weigh the Claimant's reasons for returning questionable monies previously paid to them and consider the arguments that allows for an honorable and legally justifiable decision, to grant relief from this motion.

How could it be considered honorable to now put these Defendants to the "back of the line," as a "general unsecured creditor" because they returned previously paid trust funds that according to USACM Trustee's "forensic" accounting department, were owed them and paid, even before the "professionals?"



4/19/2007

Howard Connell, Defendant  
1001 Jennis Silver Street  
Las Vegas, NV 89145  
Email: [Howlor5@aol.com](mailto:Howlor5@aol.com)  
Home: 702 254-1501  
Cell: 702 340-3184



Lorene E. Connell, Defendant,

We are here today because the Defendants refused to do what they felt was less than honorable.....accept money that they felt did not belong to them. However, since Mesriow retained the returned check, yet did not credit our account as requested, the "debit" for the disbursement remains when there should be a "credit" or a new check issued. Also, this motion is not to determine the validity of the claim but the "priority"

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Howard Connell, Defendant  
1001 Jennis Silver Street  
Las Vegas, NV 89145  
Email: [Howlor5@aol.com](mailto:Howlor5@aol.com)  
Home: 702 254-1501  
Cell: 702 340-3184

  
Lorene E. Connell, Defendant,

## PROOF OF CLAIM

Name of Debtor:

USA COMMERCIAL MORTGAGE COMP.

Case Number:

BK-S-06-10725-LBR

NOTE: See Reverse for List of Debtors and Case Numbers.

This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A "request" for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.

Name of Creditor and Address:



11321241000140

HOWARD CONNELL & LORENE CONNELL  
1001 JENNIS SILVER ST  
LAS VEGAS NV 89145-8684☐ Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.☐ Check box if you have never received any notices from the bankruptcy court or BMC Group in this case.☐ Check box if this address differs from the address on the envelope sent to you by the court.

DO NOT FILE THIS PROOF OF CLAIM FOR A SECURED INTEREST IN A BORROWER THAT IS A ONE OF THE DEBTORS.

If you have already filed a proof of claim with the Bankruptcy Court or BMC, you do not need to file again.

THIS SPACE IS FOR COURT USE ONLY

Creditor Telephone Number ( )

Last four digits of account or other number by which creditor identifies debtor:

ACCOUNT ID: 4257 CLIENT ID: 4976

Check here if this claim

☐ replaces or amends

a previously filed claim dated: \_\_\_\_\_

## 1. BASIS FOR CLAIM

☐ Goods sold☐ Personal injury/wrongful death☐ Services performed☐ Taxes☐ Money loaned☒ Other (Describe briefly)

INVESTOR RETURNED "USACM" COLLECTION ACCOUNT CHECK

☐ Retiree benefits as defined in 11 U.S.C. § 1114(a)☐ Wages, salaries, and compensation (fill out below)

Last four digits of your SS #: \_\_\_\_\_

Unpaid compensation for services performed from: \_\_\_\_\_ to \_\_\_\_\_

☐ Unremitted principal☐ Other claims against serv (not for loan balances)

## 2. DATE DEBT WAS INCURRED:

## 3. IF COURT JUDGMENT, DATE OBTAINED:

4. CLASSIFICATION OF CLAIM. Check the appropriate box or boxes that best describe your claim and state the amount of the claim at the time case filed. See reverse side for important explanations.

## UNSECURED NONPRIORITY CLAIM \$

☐ Check this box if: a) there is no collateral or lien securing your claim, or b) your claim exceeds the value of the property securing it, or c) none or only part of your claim is entitled to priority.

## UNSECURED PRIORITY CLAIM

☒ Check this box if you have an unsecured claim, all or part of which is entitled to priority.

Amount entitled to priority

214.76 HUSBAND CREDIT

\$ 249.87 RETURNED (NET) CHECK

Specify the priority of the claim:

464.64 TOTAL CREDIT DUE

☐ Domestic support obligations under 11 U.S.C. § 507(a)(1)(A) or (a)(1)(B)☐ Wages, salaries, or commissions (up to \$10,000)\*, earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(4).☐ Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(5).

## SECURED CLAIM

☐ Check this box if your claim is secured by collateral (including a right of setoff).

Brief description of collateral:

☐ Real Estate ☐ Motor Vehicle ☐ Other \_\_\_\_\_

Value of Collateral: \$ \_\_\_\_\_

Amount of arrearage and other charges at time case filed included in secured claim, if any: \$ \_\_\_\_\_

## 5. TOTAL AMOUNT OF CLAIM \$

AT TIME CASE FILED:

(unsecured)

(secured)

(priority)

(Total)

☐ Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of all interest or additional charges

6. CREDITS: The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim.

7. SUPPORTING DOCUMENTS: Attach copies of supporting documents, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, security agreements, and evidence of perfection of lien. DO NOT SEND ORIGINAL DOCUMENTS. If the documents are not available, explain. If the documents are voluminous, attach a summary.

8. DATE-STAMPED COPY: To receive an acknowledgment of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim.

The original of this completed proof of claim form must be sent by mail or hand delivered (FAXES NOT ACCEPTED) so that it is actually received on or before 5:00 pm, prevailing Pacific time, on November 13, 2006 for each person or entity (including individuals, partnerships, corporations, joint ventures, trusts and governmental units).

BY MAIL TO:

BMC Group  
Attn: USACM Claims Docketing Center  
P. O. Box 911  
El Segundo, CA 90245-0911

BY HAND OR OVERNIGHT DELIVERY TO:

BMC Group  
Attn: USACM Claims Docketing Center  
1330 East Franklin Avenue  
El Segundo, CA 90245

THIS SPACE FOR COURT USE ONLY

DATE

11/24/06

SIGN and print the name and title, if any, of the creditor or other person authorized to file this claim (attach copy of power of attorney, if any):



PAID 11/20/06

Date: Nov. 20, 2006

To: Elisa Withrow, Fax 702 385-3417

From: Howard Connell, Acct. #4257

Re: Returned USACM check

On 9-27-06 you signed a "Certified Mail" confirmation addressed to USACM containing a returned USACM Trust check from me.

I have yet to hear or see any indication the check I returned has resulted in any appropriate adjustments to my account.

Will you please call me ASAP @ 702 340-3184 or email me @ [howlor5@yahoo.com](mailto:howlor5@yahoo.com) with a contact number for you.

As you may know, there is a "bar date" issued by the BK court that I am contending with to file any claim. I believe this issue deserves your immediate attention since I have been waiting since September.

Thank you,

Howard Connell

PS Form 3811, February 2004		Domestic Return Receipt		102595-02-M-1540	
2. Article Number (Transfer from service label)		4002 1350 0500 2000 43E9 513E			
1. Article Addressed to:		LAS VEGAS NV 89121 4484 S. PECOS ROAD LSA CAPITAL			
■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. ■ Print your name and address on the reverse so that we can return the card to you. ■ Attach this card to the back of the mailpiece, or on the front if space permits.		A. Signature <i>Elisa Withrow</i> B. Received by (Printed Name) <i>ELISA WITHROW</i> C. Date of Delivery <i>9-27-06</i> D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If YES, enter delivery address below:			
3. Service Type		<input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.			
4. Restricted Delivery? (Extra Fee)		<input type="checkbox"/> Yes <input type="checkbox"/> No			

September 25, 2006

USA Commercial Mortgage  
Ned Homfeld  
4484 S. Pecos Road  
Las Vegas NV 89121

Re: Returning Check, Investor Account # 4257,

Dear Mr. Homfeld,

Please find enclosed USACM's check payable to me in the amount of \$249.87. This check is # 91171, drawn on Bank of America # 31-1/1110, dated 8/26/2006 which was supposed to represent unpaid interest due us as a direct lender, thru 6/30/2006 (see Client Loan Summary, attached).

We are returning this check because a portion of the total amount is "dubious." We are also enclosing several documents that substantiate this claim (Client Loan Summary & USA Loan Summary, as of August 31, 06).

On 9/1/06 you and I exchanged emails (see attached) addressing this issue. However, for me, I could not reconcile your answers. Therefore, we will try again with more detail, this time. Hopefully, we can help each other arrive at a coherent answer. Major issues of this bankruptcy involved co mingled funds and paying falsified interest payments to investors. That's exactly what I believe is happening here! WE DON'T WANT TO BECOME ANOTHER VICTIM OF THIS PRACTICE, AGAIN!

My references concern the Fiesta-Stoneridge loan. We were assigned this beneficial interest on 3/24/06. I say assigned because this transaction is embroiled in an "inter pleader" action filed by USACM. We are challenging our transaction due to rampant fraud committed in taking our money (\$37,500.). It is unquestionably inappropriate to credit and/or make any payments of principal or interest to us, or anyone else, while the true ownership of the beneficial interest(s) remains questionable! This is the reason for my returning this check.

All of USACM loan summary reports show Fiesta-Stoneridge, from its inception to have been a nonperforming loan. No reports that I have ever seen, indicated \$220,000.00 was being held in the DIP collection account, as you so stated in your email. Something is wrong here! I am also attaching an email from a Mr. George H. Michael, who tells us he has been in Fiesta Stoneridge from the start and now USACM wants back all the interest paid to him. What's going on? STILL, you want to keep sending me money that didn't come from Fiesta Stoneridge? Please explain this contradiction as I am completely confused?



Regarding my suggestion of an injunction on payments to Direct Lenders during this hiatus, you stated; "That's part of the interpleader motions." When it comes to the interpleaded accounts of Assignors/Assignees, it sounds like you agree with me! There is a serious question as to who owns what.

Ned, please void the attached check and reissue a check, ONLY for the monies due me from our other loan, Brookmere-Maddison. Please try to take care of this ASAP so I may soon forward these documents to my attorney, as time is of the essence. Thank you in advance for your cooperation and attention in clearing up this matter.

Yours truly,

Howard Connell  
702 340-3184 or Howlor2@yahoo.com

# USA Commercial Mortgage Company

## Investor History Report

Vesting: Howard Connell & Lorene Connell, husband & wife, as joint tenants with right of survivorship

Loan: Fiesta USA/Stoneridge

Client ID: 4976

Account ID: 4257

Loan Interest Rate: 13.00%

Original Service Fee: 0.00%

Current Service Fee: 1.00%

Date	Transaction	A Investment	B Principal Paid by Borrower	C Principal Paid to Investor	D = B - C Principal Owed to Investor	E Unsecured / Diverted Principal	F Interest Earned	G Loan Service Fee Retained by USACM	H Interest Paid by Borrower Net of Service Fee	I = F - G - H Cumulative Amount Due from Borrower, Net of Service Fee	J Interest Paid to Investor	K = H - Cumulative Amount Held for (Due from Investor)
03/24/2006	Assignment In (\$37,500.00)	\$37,500.00										
03/31/2006	Interest and Service Fee (3/1 - 3/31)	\$37,500.00					\$108.33	\$8.06		\$100.27		
04/30/2006	Interest and Service Fee (4/1 - 4/30)	\$37,500.00					\$466.69	\$31.25		\$535.71		
05/31/2006	Interest and Service Fee (5/1 - 5/31)	\$37,500.00					\$529.10	\$31.25		\$1,033.56		
06/30/2006	Interest and Service Fee (6/1 - 6/30)	\$37,500.00					\$517.77	\$31.25		\$1,520.07		
07/31/2006	Interest and Service Fee (7/1 - 7/31)	\$37,500.00					\$540.82	\$31.25		\$2,029.64		
08/26/2006	Interest Paid to Investor	\$37,500.00								\$2,029.64	\$138.62	(\$13)
08/31/2006	Interest and Service Fee (8/1 - 8/31)	\$37,500.00					\$546.87	\$31.25		\$2,545.27		(\$13)
09/30/2006	Interest and Service Fee (9/1 - 9/30)	\$37,500.00					\$535.16	\$31.25		\$3,049.17		(\$13)
TOTALS:		\$37,500.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,244.74	\$195.56	\$0.00	\$3,049.17	\$138.62	(\$13)

BoFA.  
CHECK # 91171  
RETURNED!  
NO CREDIT GIVEN

<sup>1</sup> This rate may be adjusted according to your loan servicing agreement.

This statement is provided for informational purposes only and is intended for the sole benefit of the named vested party. This statement is not intended to represent a loan payoff quote. USA reserves the right to update and supplement this statement.

THIS STATEMENT REPRESENTS ACTIVITY THROUGH SEPTEMBER 30, 2006

# USA Commercial Mortgage Company

## Investor History Report

Vesting: Howard Connell & Lorene Connell, husband & wife, as joint tenants with right of survivorship

Loan: Brookmere/Malteson \$27,050,000

Client ID: 4978

Account ID: 4257

Loan Interest Rate: 12.00%

Original Service Fee: 0.00%

Current Service Fee: 1.00%

Transaction	A	B	C	D = B - C	E	F	G	H	I = F - G - H	J	K = H - J
	Investment	Principal Paid by Borrower	Principal Paid to Investor	Principal Owed to Investor	Unsecured / Diverted Principal	Interest Earned	Loan Service Fee Retained by USACM	Interest Paid by Borrower Net of Service Fee	Cumulative Amount Due from Borrower Net of Service Fee	Interest Paid to Investor	Cumulative Amount Held for (Due from) Investor
8/20/2006 Interest and Service Fee (2/1 - 2/28)	\$24,658.35			\$12,715.96		\$230.14			\$452.15		(\$211.11)
8/20/2006 Interest Paid By Borrower	\$24,658.35			\$12,715.96				\$103.35	\$348.80		(\$111.11)
10/20/2006 Interest Paid to Investor	\$24,658.35			\$12,715.96					\$348.80	\$344.53	(\$451.11)
10/20/2006 Principal Paid to Investor	\$24,658.35		\$12,890.70	(\$174.74)					\$348.80		(\$451.11)
12/20/2006 Interest Paid By Borrower	\$24,658.35			(\$174.74)				\$348.80	\$0.00		(\$101.11)
11/20/2006 Interest and Service Fee (3/1 - 3/31)	\$24,658.35			(\$174.74)		\$254.80	\$0.66		\$254.14		(\$101.11)
11/20/2006 Interest Paid By Borrower	\$24,658.35			(\$174.74)				\$254.00	\$0.14		\$14.14
18/2006 Interest Paid By Borrower	\$24,658.35			(\$174.74)				\$0.14	\$0.00		\$14.14
10/20/2006 Interest and Service Fee (4/1 - 4/30)	\$24,658.35			(\$174.74)		\$246.58	\$20.55		\$226.03		\$14.14
10/20/2006 Interest Paid By Borrower	\$24,658.35			(\$174.74)				\$164.83	\$61.20		\$31.14
12/20/2006 Interest Paid By Borrower	\$24,658.35			(\$174.74)				\$61.20	\$0.00		\$37.14
11/20/2006 Interest and Service Fee (5/1 - 5/31)	\$24,658.35			(\$174.74)		\$254.80	\$20.55		\$234.25		\$37.14
11/20/2006 Interest Paid By Borrower	\$24,658.35			(\$174.74)				\$69.99	\$164.27		\$44.14
19/2006 Interest Paid By Borrower	\$24,658.35			(\$174.74)				\$37.99	\$126.28		\$48.14
10/20/2006 Interest and Service Fee (6/1 - 6/30)	\$24,658.35			(\$174.74)		\$247.96	\$20.55		\$353.69		\$48.14
11/20/2006 Interest and Service Fee (7/1 - 7/31)	\$24,658.35			(\$174.74)		\$258.78	\$20.55		\$591.93		\$48.14
11/20/2006 Interest Paid By Borrower	\$24,658.35			(\$174.74)				\$56.98	\$534.95		\$53.14
16/2006 Interest Paid to Investor	\$24,658.35		(\$146.40)	(\$174.74)					\$534.95	\$472.42	\$6.14
16/2006 Principal Paid to Investor	\$24,658.35		(\$28.34)	(\$174.74)					\$534.95		\$6.14
11/20/2006 Interest and Service Fee (8/1 - 8/31)	\$24,658.35			(\$28.34)		\$260.82	\$20.55		\$775.22		\$6.14

This rate may be adjusted according to your loan servicing agreement.

This statement is provided for informational purposes only and is intended for the sole benefit of the named vested party.

This statement is not intended to represent a loan payoff quote. USA reserves the right to update and supplement this statement.

\$ 326.42

THIS AMOUNT WAS PAID  
IN CHECK #91171 BUT  
RETURNED. NO CREDIT GIVEN  
SEE "LOAN SUMMARY" SHEET

737-2400

**USA Commercial Mortgage Company**  
as Loan Servicing Agent for Loans Listed Below  
**Loan Summary for Client ID 4257**

**Individual Investments**

Howard Connell & Lorene Connell, husband & wife, as joint tenants with right of survivorship  
1001 JENNIS SILVER ST

LAS VEGAS, NV 89145-8684

Loan Name	Dates	Original Investment	Current Investment	Principal Due to (from) Investor - USA CMC	Interest Due to (from) Investor USA CMC	Total Due to (Owed from) Investor
Brookmere/Matteson \$27,050,000	3/16/04 - 6/30/06	\$100,000.00	\$24,658.35	-\$146.40	\$472.42	\$326.02
Fiesta USA/Stoneridge	3/24/06 - 6/30/06	\$25,000.00	\$37,500.00	\$0.00	\$138.62	\$138.62
<b>Totals:</b>		<b>\$125,000.00</b>	<b>\$62,158.35</b>	<b>-\$146.40</b>	<b>\$611.04</b>	<b>\$464.64</b>
<b>Less:</b>						
						<b>Court Required Holdback -214.76</b>
						<b>Net check amount: \$249.87</b>

CREDIT BACK ALL CHARGES BECAUSE  
CHECK WAS NOT CASHED!

CHECK RETURNED TO MAKER



Howard Connell

702-340-3181

This statement is provided for information purposes only and is intended for the sole benefit of the named vested party.  
This statement is not intended to represent a loan payoff quote. USA reserves the right to update and supplement this statement.

11-29-06  
ATTN NED HONFELD

USA COMMERCIAL MORTGAGE CO. / COLLECTION

91171

Check Number

Check Date 8/26/2006

Check Amount \$249.87

Howard Connell and Lorene Connell

Item to be Paid

Interest and / or principal paid through June 30, 2006

4257

" THIS CHECK RETURNS TO USACM "

USA COMMERCIAL MORTGAGE  
COLLECTION  
DEBTOR IN POSSESSION  
4484 S. PECOS RD.  
LAS VEGAS, NV 89121  
PH. (702) 734-2400

Bank of America.



91171  
32-1/1110

DATE  
8/26/2006

AMOUNT  
\$249.87

BY  
THE  
ORDER  
OF

Howard Connell and Lorene Connell  
1001 JENNIS SILVER ST

LAS VEGAS, NV 89145-8684

  
AUTHORIZED SIGNATURE

LEWIS  
AND  
ROCA  
LLP  
LAWYERS

E-Filed on 3/23/07

3993 Howard Hughes Parkway, Suite 600  
Las Vegas, NV 89169-5996  
Facsimile (702) 949-8321  
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Susan M. Freeman AZ State Bar No. 004199  
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Rob Charles NV State Bar No. 006593  
Email: rcharles@lrlaw.com

Attorneys for USACM Liquidating Trust

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF NEVADA**

In re:

USA COMMERCIAL MORTGAGE  
COMPANY,

USA CAPITAL REALTY ADVISORS, LLC,

USA CAPITAL DIVERSIFIED TRUST DEED  
FUND, LLC,

USA CAPITAL FIRST TRUST DEED FUND,  
LLC,

USA SECURITIES, LLC,

Debtors.

**Affects:**

- ☐ All Debtors
- ☒ USA Commercial Mortgage Company
- ☐ USA Capital Realty Advisors, LLC
- ☐ USA Capital Diversified Trust Deed Fund, LLC
- ☐ USA Capital First Trust Deed Fund, LLC
- ☐ USA Securities, LLC

Case No. BK-S-06-10725-LBR  
Case No. BK-S-06-10726-LBR  
Case No. BK-S-06-10727-LBR  
Case No. BK-S-06-10728-LBR  
Case No. BK-S-06-10729-LBR

CHAPTER 11

Jointly Administered Under Case No. BK-S-  
06-10725 LBR

**NOTICE OF HEARING REGARDING  
FIRST OMNIBUS OBJECTION OF THE  
USACM LIQUIDATING TRUST TO  
CLAIMS ASSERTING PRIORITY  
STATUS**

Hearing Date: April 26, 2007  
Hearing Time: 9:30 a.m.

**THE USACM LIQUIDATING TRUST IS OBJECTING TO THE CLAIM THAT  
YOU FILED. THIS IS NOT AN OBJECTION TO THE VALIDITY OR AMOUNT  
OF YOUR CLAIM, RATHER IT ARGUES THAT YOUR CLAIM IS NOT  
ENTITLED TO PRIORITY STATUS. THE DEADLINE TO RESPOND TO THE  
OBJECTION IS APRIL 19, 2007. PLEASE DO NOT CONTACT THE CLERK OF  
THE BANKRUPTCY COURT TO DISCUSS THE MERITS OF YOUR CLAIM.  
QUESTIONS REGARDING THE AMOUNT OF A CLAIM OR THE FILING OF A**



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ROCA  
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1 **CLAIM SHOULD BE DIRECTED TO BMC GROUP AT 888-909-0100, OR**  
2 **WWW.BMCGROUP.COM/USACMC, or to the undersigned counsel.**

3 **NOTICE IS HEREBY GIVEN** that the USACM Liquidating Trust, by and  
4 through its counsel, has filed a First Omnibus Objection to Claims Asserting Priority  
5 Status (the "Objection"). The USACM Liquidating Trust has requested that this Court  
6 enter an order, pursuant to section 502 of title 11 of the United States Code (the  
7 "Bankruptcy Code") and Rule 3007 of the Federal Rules of Bankruptcy Procedure (the  
8 "Bankruptcy Rules"), for an order denying priority status to approximately 110 alleged  
9 Priority Claims asserting Claims against USA Commercial Mortgage Company  
10 ("USACM") that aggregate over \$17 million.

11 Specifically, the USACM Liquidating Trust argues that there is no basis in the  
12 proofs of claim or in the books and records of the Debtors that would support a priority  
13 Claim. The USACM Trust objects to the Claims on the basis that they are not one of the  
14 ten types of Claims entitled to priority status under Sec. 507, and asserts they should be  
15 reclassified as general unsecured Claims. These claimants have produced no evidence or  
16 documentation supporting their contention that they should be treated as priority Claims.  
17 The USACM Trust does not object to the validity or amount of the Claim at this time, but  
18 reserves the right to do so in the future. The Trust requests that the Court reclassify these  
19 claims as general unsecured claims (albeit subject to additional objections). As explained  
20 in the motion, the USACM Liquidating Trust may have other objections to the claims that  
21 will be filed later.

22 **NOTICE IS FURTHER GIVEN** that the hearing on the Objection will be held  
23 before the Honorable Linda B. Riegle, United States Bankruptcy Judge, in the Foley  
24 Federal Building, 300 Las Vegas Boulevard South, Courtroom 1, Las Vegas, Nevada, on  
25 **April 26, 2007, at the hour of 9:30 a.m.**  
26

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1 NOTICE IS FURTHER GIVEN THAT THE HEARING SET ON APRIL 26,  
2 2007, WILL BE HELD FOR THE PURPOSE OF STATUS CHECKS AND  
3 SCHEDULING EVIDENTIARY HEARINGS ONLY. NO ARGUMENTS WILL BE  
4 HEARD ON THAT DATE.

5 NOTICE IS FURTHER GIVEN that any response to the Objection must be filed  
6 by April 19, 2007 pursuant to Local Rule 3007(b), which states:

7 If an objection to a claim is opposed, a written response must be filed and  
8 served on the objecting party at least 5 business days before the scheduled  
9 hearing. A response is deemed sufficient if it states that written  
10 documentation in support of the proof of claim has already been provided to  
the objecting party and that the documentation will be provided at any  
evidentiary hearing or trial on the matter.

11 If you object to the relief requested, you *must* file a **WRITTEN** response to this  
12 pleading with the Court. You *must* also serve your written response on the person who  
13 sent you this notice.

14 If you do not file a written response with the Court, or if you do not serve your  
15 written response on the person who sent you this notice, then:

- 16
- 17 • The Court may *refuse to allow you to speak* at the scheduled hearing; and
  - 18 • The Court may *rule against you* without formally calling the matter at the  
19 hearing.

20 Dated: March 23, 2007.

21 LEWIS AND ROCA LLP

22 By: /s/ RC (#6593)

23 Susan M. Freeman, AZ 4199 (*pro hac vice*)

24 Rob Charles, NV 6593

25 3993 Howard Hughes Parkway, Suite 600

26 Las Vegas, Nevada 89169-5996

Facsimile (702) 949-8321

Telephone (702) 949-8320

*Counsel for USACM Liquidating Trust*

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ROCA  
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E-Filed on 3/23/07

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Email: sfreeman@lrllaw.com  
Rob Charles NV State Bar No. 006593  
Email: rcharles@lrllaw.com

Attorneys for USACM Liquidating Trust

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF NEVADA**

In re:

USA COMMERCIAL MORTGAGE COMPANY,

USA CAPITAL REALTY ADVISORS, LLC,

USA CAPITAL DIVERSIFIED TRUST DEED FUND,  
LLC,

USA CAPITAL FIRST TRUST DEED FUND, LLC,

USA SECURITIES, LLC,

Debtors.

**Affects:**

- ☐ All Debtors  
☒ USA Commercial Mortgage Company  
☐ USA Capital Realty Advisors, LLC  
☐ USA Capital Diversified Trust Deed Fund, LLC  
☐ USA Capital First Trust Deed Fund, LLC  
☐ USA Securities, LLC

Case No. BK-S-06-10725-LBR  
Case No. BK-S-06-10726-LBR  
Case No. BK-S-06-10727-LBR  
Case No. BK-S-06-10728-LBR  
Case No. BK-S-06-10729-LBR

**CHAPTER 11**

Jointly Administered Under Case No. BK-S-06-10725 LBR

**FIRST OMNIBUS OBJECTION OF THE  
USACM LIQUIDATING TRUST TO CLAIMS  
ASSERTING PRIORITY STATUS**

Hearing Date: April 26, 2007  
Hearing Time: 9:30 a.m.

The USACM Liquidating Trust (the "USACM Trust") hereby files its First Omnibus Objection to Claims Asserting Priority Status ("Objection") and moves this Court, pursuant to section 502 of title 11 of the United States Code (the "Bankruptcy Code") and Rule 3007 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), for an order denying priority status to approximately 110 alleged Priority Claims asserting Claims against USA Commercial Mortgage Company ("USACM") that aggregate over \$17 million. The USACM Trust is not, by this filing, objecting at this time

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1 to any of the Claims as unsecured Claims, but reserves the right to do so. This Objection  
2 is supported by the Court's record and explained in the following Memorandum.

### 3 I. JURISDICTION

4 1. The Court has jurisdiction over this Objection pursuant to 28 U.S.C. §§ 1334  
5 and 157. Venue is appropriate under 28 U.S.C. §§ 1408 and 1409. This matter is a core  
6 proceeding under 28 U.S.C. § 157(b)(2)(B).

7 2. The statutory predicate for the relief requested herein are 11 U.S.C. § 502  
8 and Bankruptcy Rule 3007.

### 9 II. BACKGROUND

10 1. On April 13, 2006 ("Petition Date"), USACM, USA Securities, LLC ("USA  
11 Securities"), USA Capital Realty Advisors, LLC ("USA Realty"), USA Capital  
12 Diversified Trust Deed Fund, LLC ("DTDF"), USA Capital First Trust Deed Fund, LLC  
13 ("FTDF" and together with DTDF, the "Funds") (collectively the "Debtors"), filed  
14 voluntary petitions for relief under chapter 11 of the Bankruptcy Code. The Debtors  
15 continued to operate their businesses, if any, as debtors-in-possession pursuant to sections  
16 1107(a) and 1108 of the Bankruptcy Code. Post-petition management of the Debtors was  
17 under the direction of Thomas J. Allison of Mesirow Financial Interim Management, LLC  
18 ("Mesirow"), who serves as the Chief Restructuring Officer.

19 2. USACM is a Nevada Corporation that, prior to the Petition Date, was in the  
20 business of underwriting, originating, brokering, funding and servicing commercial loans  
21 primarily secured by real estate, both on behalf of investors and for its own account.  
22

23 3. This business included the solicitation of individual investors to purchase  
24 fractional interest in loans that USACM originated and then serviced. These investors,  
25 totaling approximately 3,600 as of the Petition Date, are referred to as "Direct Lenders" in  
26 USACM's bankruptcy case and in this Objection.

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1 4. Although USACM serviced and sometimes originated the loans in which the  
2 Direct Lenders invested, USACM was not a borrower on these loans.

3 5. On September 14, 2006, the Court entered its Order Setting Deadline to File  
4 Proofs of Claim and Proofs of Interest (the "Bar Date Order") [Docket No. 1280]. The  
5 Bar Date Order established 5:00 p.m., prevailing Pacific Time, on November 13, 2006, as  
6 the deadline ("Bar Date") for creditors to file proof of claims

7 6. On September 25, 2006, the Debtors served a copy of the Bar Date Order on  
8 their service lists [Docket No. 1358]. All Direct Lenders were served with a copy of the  
9 Bar Date order as well [Docket No. 1358].

10 7. On November 6, 2006, a stipulation was filed and an order entered extending  
11 the Bar Date for Direct Lenders only to file proofs of claim until January 13, 2007 [Docket  
12 No. 1729].

13 8. On January 8, 2007, this Court entered its Order Confirming the "Debtors'  
14 Third Amended Joint Chapter 11 Plan of Reorganization" [Docket No. 2376].

15 9. Debtors' Third Amended Chapter 11 Plan of Reorganization (the "Plan")  
16 [Docket No. 1799] provides the following deadlines for objections to Claims:

17 (A) for any and all Claims and Equity Interests to which the  
18 General Bar Date applies, ninety (90) days after the Effective Date; (B) for  
19 any and all Claims to which the Administrative Claims Bar Date or the  
20 Professionals Administrative Bar Date applies, thirty (30) days after the  
21 expiration of the respective Bar Date; and (C) for any and all Claims to  
22 which the Bar Date applicable under section B.3 of Art. V of the Plan  
23 applies, thirty (30) days after the expiration of that Bar Date.

24 10. USACM's claims and noticing agent received approximately 2,436 proofs of  
25 claim as of the January 13, 2007 Bar Date, asserting claims totaling more than  
26 \$997,000,000, plus unknown amounts based on unliquidated Claims.

11. Under the Plan, the USACM Trust is the successor to USACM with respect  
to standing to seek allowance and disallowance of Claims.

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12. The USACM Trust exists as of the Effective Date of the Plan, which was March 12, 2007. Geoffrey L. Berman is the Trustee.

13. Various claimants (mostly Direct Lenders) filed approximately 110 proofs of claim against USACM asserting priority status (the "Priority Claims"). There is no basis in these proofs of claim or in the books and records of the Debtors that would support a priority Claim. The USACM Trust contends that the Claims listed on Exhibit A attached hereto are not entitled to priority status and contends that they should be reclassified as general unsecured Claims (albeit subject to potential further objection).

### III. APPLICABLE AUTHORITY

1. Under the Bankruptcy Code, any Claim for which a proof of claim has been filed will be allowed unless a party in interest objects. If a party in interest objects to the proof of claim, the Court, after notice and hearing, shall determine the amount of the Claim and shall allow the Claim except to the extent that the Claim is "unenforceable against the debtor . . . under any . . . applicable law for a reason other than because such claim is contingent or unmatured." 11 U.S.C. § 502(b).

2. The USACM Trust is entitled to object to proofs of claim under 11 U.S.C. § 502(a). This objection is timely under the confirmed Plan.

3. A properly filed proof of claim is presumed valid under Bankruptcy Rule 3001(f). However, once an objection to the proof of claim controverts the presumption, the creditor ultimately bears the burden of persuasion as to the validity and amount of the Claim. *See Ashford v. Consolidated Pioneer Mortg. (In re Consolidated Pioneer Mortg.)*, 178 B.R. 222, 226 (B.A.P. 9<sup>th</sup> Cir. 1995), *aff'd*, 91 F.3d 151 (9<sup>th</sup> Cir. 1996). The ultimate burden of proof as to the validity of a proof of claim "remains at all times upon the claimant." *Lundell v. Anchor Constr. Specialists, Inc. (In re Lundell)*, 223 F.3d 1035, 1039 (9<sup>th</sup> Cir. 2000).



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LAWYERS

#### IV. OBJECTIONS TO CLAIMS

1. As more particularly described herein, the USACM Trust seeks in this Objection the reclassification of the Priority Claims as general unsecured Claims.

2. These Claims may be the subject of multiple objections herein for any of the reasons stated in this Objection. These Claims may also be subject to prior or subsequently filed objections.

3. The USACM Trust reserves the right to further object to any and all Claims, whether or not the subject of this Objection, for allowance and/or distribution purposes on any other grounds. The USACM Trust further reserves the right to modify, supplement and/or amend this Objection as it pertains to any Claim or claimant herein.

4. Exhibit A contains a list of Claims filed by various parties asserting priority status. Section 507 of the Bankruptcy Code establishes the ten types of Claims that are entitled to priority status. The Ninth Circuit has stated that “‘because the presumption in bankruptcy cases is that the debtor’s limited resources will be equally distributed among its creditors, *statutory priorities are narrowly construed.*” *In re Peaches Records and Tapes, Inc.*, 102 B.R. 193, 195 (B.A.P. 9<sup>th</sup> Cir. 1989) (*quoting Trustees of Amalgamated Ins. Fund v. McFarlin’s*, 789 F.2d 98, 100-01 (2<sup>nd</sup> Cir. 1986) (emphasis in original)). A party claiming priority status bears the burden of establishing priority status. *See e.g., In re Terra Distrib., Inc.*, 148 B.R. 598, 600 (Bankr. D. Idaho 1992) (stating that the “burden to demonstrate the elements required for priority status lies upon the claimant”).

5. The USACM Trust objects to the Claims listed on Exhibit A on the basis that they are not one of the ten types of Claims entitled to priority status under § 507, and asserts they should be reclassified as general unsecured Claims. These claimants have produced no evidence or documentation supporting their contention that they should be treated as priority Claims. The USACM Trust does not object to the validity or amount of the Claims listed on Exhibit A at this time but reserves the right to do so in the future.

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V. CONCLUSION

For the reasons discussed above, the USACM Trust objects to the priority status asserted in the proofs of claim listed on Exhibit A and requests that the Court reclassify these Claims as general unsecured Claims (albeit subject to possible additional objections). The USACM Trust also requests such other and further relief as is just and proper.

Dated: March 23, 2007.

LEWIS AND ROCA LLP

By: /s/ RC (#6593)

Susan M. Freeman, AZ 4199 (*pro hac vice*)

Rob Charles, NV 6593

3993 Howard Hughes Parkway, Suite 600

Las Vegas, Nevada 89169-5996

Facsimile (702) 949-8321

Telephone (702) 949-8320

Email: RCharles@LRLaw.com

*Counsel for USACM Liquidating Trust*

20	CDW Computer Centers Inc Receivable Management Services Phyllis A Hayes PO BOX 5126 Timonium, MD 21094-5126	10725-00003	5/4/2006	\$1,381.30	P, A	Claim is not entitled to priority status and should be classified as a general unsecured claim.
21	Clark, Donald 305 W Moana Ln Reno, NV 89509	10725-01601	12/8/2006	\$775,918.76	P	Claim is not entitled to priority status and should be classified as a general unsecured claim.
22	Connell, Howard & Lorene 1001 Jennis Silver St. Las Vegas, NV 89145-8684	10725-01577	12/5/2006	\$464.64	F	Claim is not entitled to priority status and should be classified as a general unsecured claim.
23	Davis, Todd 360 W 55th St. Apt 1G New York, NY 10019	10725-01481	11/28/2006	\$10,910.11	P, U	Claim is not entitled to priority status and should be classified as a general unsecured claim.
24	Di Salvo, Anne F Po Box 18220 Reno, NV 89511-0220	10725-00896	11/1/2006	\$11,905.13	P, U	Claim is not entitled to priority status and should be classified as a general unsecured claim.
25	Dr Melody A Pflingsien & Crystal Wittich 43613 Southland Way Fremont, CA 94539-5933	10725-00805	10/30/2006	\$55,443.90	P, U	Claim is not entitled to priority status and should be classified as a general unsecured claim.
26	Duane U Deverill Family Trust Dtd 10/25/90 Trust 1 C/O Duane U Deverill Trustee 774 Mays Blvd Ste 10 Pmb 186 Incline Village, NV 89451-8613	10725-00405	10/2/2006	\$227,998.41	P	Claim is not entitled to priority status and should be classified as a general unsecured claim.
27	Dupin, William & Penny 545 Cole Cir Incline Village, NV 89451-8108	10725-00428	10/4/2006	\$12,951.80	P, U	Claim is not entitled to priority status and should be classified as a general unsecured claim.
28	Dupin, William & Penny 545 Cole Cir Incline Village, NV 89451-8108	10725-00429	10/4/2006	\$28,804.73	P, U	Claim is not entitled to priority status and should be classified as a general unsecured claim.
29	Dupin, William & Penny 545 Cole Cir Incline Village, NV 89451-8108	10725-00430	10/4/2006	\$10,238.91	P, U	Claim is not entitled to priority status and should be classified as a general unsecured claim.

1st Objection to Claims  
Asserting Priority

EXHIBIT A

LEWIS

AND

ROCA<sup>LLP</sup>

LAWYERS

UNITED STATES BANKRUPTCY COURT

DISTRICT OF NEVADA

3/23/07

E-Filed on

In re:

USA COMMERCIAL MORTGAGE

COMPANY,

USA CAPITAL REALTY ADVISORS, LLC,

USA CAPITAL DIVERSIFIED TRUST DEED

FUND, LLC,

USA CAPITAL FIRST TRUST DEED FUND,

LLC,

USA SECURITIES, LLC,

Debtors.

**Affects:**

☒ All Debtors

☐ USA Commercial Mortgage Company

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☐ USA Capital Diversified Trust Deed Fund, LLC

☐ USA Capital First Trust Deed Fund, LLC

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Case No. BK-S-06-10725-LBR

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Case No. BK-S-06-10728-LBR

Case No. BK-S-06-10729-LBR

CHAPTER 11

Jointly Administered Under Case No. BK-S-

06-10725 LBR

**NOTICE OF HEARING REGARDING SECOND OMNIBUS OBJECTION OF  
THE USACM LIQUIDATING TRUST TO CLAIMS ASSERTING PRIORITY  
STATUS**

Hearing Date: April 26, 2007

Hearing Time: 9:30 a.m.

**THE USACM LIQUIDATING TRUST IS OBJECTING TO THE CLAIM  
THAT YOU FILED. THIS IS NOT AN OBJECTION TO THE VALIDITY OR  
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THE MERITS OF YOUR CLAIM.**